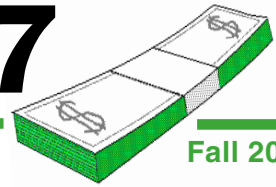


Open
Enrollment
News

Tax\$ave 2007



Fall 2006

Published Annually for New Jersey State Employees

Enroll in Tax\$ave and Keep More of What You Earn

The Tax\$ave 2007 Open Enrollment period begins on **October 1, 2006** and ends on **October 31, 2006**. Tax\$ave Open Enrollment is your opportunity to save tax dollars in the 2007 tax year with the **Premium Option Plan** and the two Flexible Spending Accounts (FSAs) — the **Unreimbursed Medical Spending Account** and the **Dependent Care Spending Account**.

Enrollment in the Premium Option Plan component of Tax\$ave is automatic every year. The Flexible Spending Accounts require active enrollment each year. There are a variety of easy ways to enroll.

- ✓ You may enroll over the phone by calling Horizon BCBSNJ's automated voice response system at 1-800-224-4426 (October 1 – October 31, 2006).
- ✓ You may enroll over the Internet during the same time period at: www.state.nj.us/treasury/pensions/taxsave.htm and follow the link to the Horizon BCBSNJ Web site.
- ✓ You can enroll by obtaining an enrollment kit from your benefits administrator. These forms must be postmarked by October 31, 2006, in order to enroll for the 2007 plan year.

For more information about the Tax\$ave plans, see the *Premium Option Plan* and *Tax\$ave... Savings You Can Bank On* fliers that accompanied this newsletter along with your paycheck, or visit the Tax\$ave Web page at: www.state.nj.us/treasury/pensions/taxsave.htm

NEW! — FSA Eligible Expense and Claim Periods Extended

The period for which expenses are considered eligible for reimbursement has been extended this year for **BOTH** the **Unreimbursed Medical Spending Account** and the **Dependent Care Spending Account**. If you are enrolled in the UMSA and/or the DCSA, you may now submit claims for qualifying expenses incurred between January 1 of the plan year and March 15 of the following year (For example: the 2006 plan year's period for eligible expenses is now extended to March 15, 2007).

The deadline for submitting any claim forms for a particular plan year has also been extended to April 30 of the following year. Under the Unreimbursed Medical Spending Account and Dependent Care Spending Account, any unused contributions that remain unclaimed after the April 30 deadline are forfeited.

Benny Card Enhancement

As part of the eligible expense period extension, enhancements have also been made to the *Benny*™ Card benefit of the **Unreimbursed Medical Spending Accounts**. Beginning in January 2007, the *Benny* Card will contain a special "look back" feature that will access any unused 2006 Unreimbursed Medical Spending Account funds before using funds contributed in the 2007 plan year.

Using *Benny* is convenient because funds are immediately transferred from your Unreimbursed Medical Spending Account at the time you incur a qualifying expense. You can use your *Benny* Card for qualifying expenses, such as covered prescription copayments, health plan deductibles, orthodontics, doctor and emergency room copayments, eyeglasses, Lasik surgery, and uncovered dentist or other provider fees. For a list of expenses that are eligible under the Unreimbursed Medical Spending Account, visit the Horizon BCBSNJ Web site.

* The *Benny*™ Card; a special MasterCard® that draws on the value of your annual Unreimbursed Medical Spending Account election amount. The *Benny* Card is included free when you sign up for an Unreimbursed Medical Spending Account through Tax\$ave. If you are a continuing Tax\$ave member, you should continue to use the *Benny* Card that you received at the start of the 2006 plan year. The value of your *Benny* Card is automatically renewed with your Tax\$ave 2007 election amount.

Direct Deposit Available for FSA Payments

Horizon Healthcare offers direct deposit of reimbursement payments from your **Unreimbursed Medical Spending Account** and **Dependent Care Spending Account**. The direct deposit application is available in the *Welcome Kit* that you receive after enrolling in an FSA plan, or the form can be printed from the Horizon BCBSNJ Web site.

Over-the-Counter Medications Covered

Internal Revenue Service rules permit many over-the-counter products/medications that are deemed for “medical care” to be reimbursable through the **Unreimbursed Medical Spending Account**. “Medical care” includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease. While purchases of medicines and drugs for medical care are eligible for reimbursement, expenditures that are merely beneficial to your general health, such as vitamins and other supplements, are not eligible. For a list of expenses that are eligible under the UMSA, please visit the Horizon BCBSNJ Web site.

Horizon BCBSNJ suggests that members pay for eligible over-the-counter items and then submit a claim form for reimbursement — rather than use the *Benny*™ Card (see page 1). Over-the-counter purchases made with a *Benny* Card may trigger an audit of the charges. (Currently, *Drugstore.com* and some Wallgreens stores are able to differentiate FSA eligible items for *Benny* Card purchases. Other stores and pharmacies may also provide this service in the future.)

Tax\$ave and Domestic Partners and Dependents Age 23 to 30

State employees are able to add a same-sex domestic partner to their SHBP medical and dental insurance coverage, and **New for the 2007 plan year**, Chapter 375, P.L. 2005, permits continued SHBP medical plan coverage for *certain* dependents until their 30th birthday.

However, before any premiums that the employee pays for the domestic partner or over-age dependent coverage can be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**, the domestic partner or over-age dependent must be able to qualify as a “tax dependent” of the employee for federal tax filing purposes — under Internal Revenue Code Section 152.

Similarly, the domestic partner or over-age dependent must qualify as the employee’s tax dependent before an out-of-pocket medical expense incurred by the domestic partner or dependent can be reimbursed under the **Unreimbursed Medical Spending Account**. See IRS *Tax Topic 354 - Dependents* for additional information on the requirements for establishing dependent status for federal tax purposes.

If the domestic partner or over-age dependent is not a “qualified tax dependent” of the employee, any premium deductions made for the domestic partner’s coverage must be made on an after-tax basis and funds in the Unreimbursed Medical Spending Account cannot be used to cover the domestic partner’s medical expenses.

Additional information about the New Jersey Domestic Partnership Act can be found in Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, which is available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

For more information about continued coverage for dependents age 23 to 30, see the SHBP home page at: www.state.nj.us/treasury/pensions/shbp.htm

FSAs Have Minimal Impact on Social Security

Since payments to the **Flexible Spending Accounts** and benefits premium payments under **Premium Option Plan** are not subject to Social Security deductions, some members opt not to participate in Tax\$ave because it would reduce their Social Security benefit. This may not be a good financial decision.

For example, consider an employee who retired in 1998 at age 65 and whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual’s monthly Social Security allowance was \$1,343.

If the same person had been contributing \$2,000 a year to a Flexible Spending Account for the last 10 years of employment, the tax savings would amount to \$353 – \$653 per year (depending on the person’s tax bracket).

By contrast, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of \$8 per month (\$96 per year).

Compare the two, and you can decide for yourself if this is reason enough to choose against saving on taxes now!

NJ Division of Pensions and Benefits

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Access Tax\$ave forms and interactive calculation tools by visiting Horizon BCBSNJ through a link at: www.state.nj.us/treasury/pensions/taxsave.htm